



Finance Act 2023

2023 CHAPTER 1

Income tax

5 Basic rate limit and personal allowance for tax years 2026-27 and 2027-28

- (1) Section 5 of the Finance Act 2021 (basic rate limit and personal allowance for tax years up to 2025-26) is amended as follows.
- (2) In subsection (1) (which specifies the basic rate limit in section 10(5) of the Income Tax Act 2007 as £37,700 for tax years up to 2025-26), for “and 2025-26” substitute “, 2025-26, 2026-27 and 2027-28”.
- (3) In subsection (2) (which specifies the personal allowance in section 35(1) of the Income Tax Act 2007 as £12,570 for tax years up to 2025-26), for “and 2025-26” substitute “, 2025-26, 2026-27 and 2027-28”.
- (4) In subsection (3) (which makes consequential provision preventing the uprating of those amounts for the affected tax years), in the words after paragraph (b), for “and 2025-26” substitute “, 2025-26, 2026-27 and 2027-28”.

6 Threshold at which additional rate is charged

- (1) In section 10 of the Income Tax Act 2007 (income charged at the basic, higher and additional rates: individuals), for subsection (5A) substitute—
 - “(5A) The higher rate limit for a tax year is equal to—
 - (a) twice the amount specified in subsection (1) of section 35 (personal allowance) for the tax year, plus
 - (b) the amount specified in subsection (2) of that section (amount at which personal allowance starts to be withdrawn).
 - (5B) Before the start of the tax year the Treasury must make an order specifying the amount which is, as a result of subsection (5A), the higher rate limit for the tax year.”

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2023, Cross Heading: Income tax. (See end of Document for details)

- (2) In section 1014(5)(b) of that Act (orders and regulations to which no Parliamentary procedure applies), before sub-paragraph (i) insert—
“(ai) section 10(5B) (the higher rate limit),”.
- (3) The subsection (5A) of section 10 of that Act as substituted by subsection (1) has effect for the tax year 2023-24 and subsequent tax years.
- (4) For each of the tax years 2023-24, 2024-25, 2025-26, 2026-27 and 2027-28, the amount of the higher rate limit is £125,140.
- (5) In consequence of the provision made by subsection (4), the new subsection (5B) of section 10 of that Act (as inserted by subsection (1)) has effect for the tax year 2028-29 and subsequent tax years.

7 Dividend nil rate

- (1) In section 13A(2) of the Income Tax Act 2007 (income charged at the dividend nil rate), for “£2000”, in each place, substitute “£1,000”.
- (2) The amendments made by [subsection \(1\)](#) have effect for the tax year 2023-24.
- (3) In section 13A(2) of that Act (as amended by [subsection \(1\)](#)), for “£1,000”, in each place, substitute “£500”.
- (4) The amendments made by [subsection \(3\)](#) have effect for the tax year 2024-25 and subsequent tax years.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2023, Cross Heading:
Income tax.